

Village of Copemish
Manistee County, Michigan

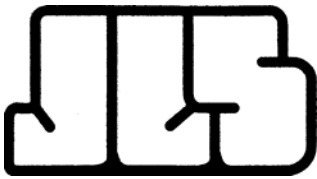
Compiled Financial Statements

February 29, 2008

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Copemish
Copemish, MI 49625

We have audited the accompanying financial statements of the governmental activities and each major fund of Village of Copemish as of and for the year ended February 29, 2008 as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. These standards require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Village as of February 29, 2008 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of April 1, 2004. The accompanying statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

The budgetary comparison information on pages 18-21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

J. L. Stephan Co. P.C.

September 30, 2008

Village of Copemish*Exhibit A**Government Wide
Statement of Net Assets
February 29, 2008*

	<i>Governmental Activities</i>
Assets	
Cash and Cash Equivalents	\$ 5,908
Receivables	
Taxes & Fees	-
Due From State	10,613
Due from Other Funds	-
Capital Assets	<u>88,727</u>
<i>Total Assets</i>	<u>105,248</u>
Liabilities	
Accounts Payable	-
Accrued and Other Liabilities	500
Due to Other Funds	-
Deferred Revenue	-
Non-Current Liabilities	
Due within one year	4,261
Due within more than one year	<u>-</u>
<i>Total Liabilities</i>	<u>4,761</u>
Net Assets	
Invested in Capital Assets - net of related debt	84,466
Unrestricted	<u>16,021</u>
<i>Total Net Assets</i>	<u><u>\$ 100,487</u></u>

The Notes to Financial Statements are an integral part of this statement

Village of Copemish
Government Wide
Statement of Activities
For the Year Ended February 29, 2008

Exhibit B

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Primary</i>
		<i>Charges for</i>	<i>Operating</i>	<i>Capital</i>	<i>Governmental</i>
		<i>Services</i>	<i>Grants and</i>	<i>Grants and</i>	<i>Activities</i>
			<i>Contributions</i>	<i>Contributions</i>	
<i>Primary Government</i>					
General Government	\$ 88,676	\$ -	\$ -	\$ -	\$ (88,676)
Public Works	12,715	2,506	37,171	-	26,962
Community and Economic Dev.	10	28	-	-	18
Recreation and Culture	400	-	-	-	(400)
Other Functions	11,177	-	-	-	(11,177)
Debt Service	257	-	-	-	(257)
Depreciation - unallocated	6,241	-	-	-	(6,241)
<i>Total Governmental Activities</i>	<u>119,476</u>	<u>2,534</u>	<u>37,171</u>	<u>-</u>	<u>(79,771)</u>
<i>Total Primary Government</i>	<u>\$ 119,476</u>	<u>\$ 2,534</u>	<u>\$ 37,171</u>	<u>\$ -</u>	<u>(79,771)</u>
<i>General Revenues</i>					
					41,928
					24,100
					53
					1,500
					-
					-
					2,956
<i>Special Items</i>					
					7,216
					(255)
					-
<i>Total General Revenues and Special Items</i>					<u>77,498</u>
<i>Change in Net Assets</i>					<u>(2,273)</u>
					102,760
					<u>\$ 100,487</u>

The Notes to Financial Statements are an integral part of this statement

Village of Copemish

Governmental Funds

Balance Sheet

February 29, 2008

Exhibit C

	<i>General Fund</i>	<i>Major Streets Fund</i>	<i>Local Streets Fund</i>	<i>Park Improvement Fund</i>	<i>Total</i>
Assets					
Cash	\$ 2,195	\$ 640	\$ 868	\$ 2,205	\$ 5,908
Taxes & Fees Receivable	-	-	-	-	-
Due From State	3,937	4,663	2,013	-	10,613
Due from Other Funds	3,461	105	315	-	3,881
<i>Total Assets</i>	<u>9,593</u>	<u>5,408</u>	<u>3,196</u>	<u>2,205</u>	<u>20,402</u>
Liabilities					
Payroll Liabilities	500	-	-	-	500
Due to Other Funds	420	1,959	1,502	-	3,881
Deferred Revenue	-	-	-	-	-
<i>Total Liabilities</i>	<u>920</u>	<u>1,959</u>	<u>1,502</u>	<u>-</u>	<u>4,381</u>
Fund Balances					
Designated	-	555	-	-	555
Undesignated	8,673	2,894	1,694	2,205	15,466
<i>Total Fund Balances</i>	<u>\$ 8,673</u>	<u>\$ 3,449</u>	<u>\$ 1,694</u>	<u>\$ 2,205</u>	<u>16,021</u>

The Notes to Financial Statements are an integral part of this statement

Village of Copemish
*Reconciliation of the Balance Sheet
to the Statement of Net Assets
February 29, 2008*

Exhibit D

Fund Balance - Total Governmental Funds (Exhibit C)	\$	16,021
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*Amounts reported for governmental activities in the statement of net assets
are different because:*

General Governmental Capital Assets of \$182,448 net of accumulated depreciation of (\$93,721) are not financial resources and not reported in the funds.		88,727
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Some Liabilities, including Notes Payable, are not due and payable in the current period and therefore are not reported in the fund.		<u>(4,261)</u>
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Net Assets of Governmental Activities	\$	<u><u>100,487</u></u>
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Village of Copemish
Governmental Fund
Statement of Revenue, Expenditures
and Changes on Fund Balance
For the Year Ended February 29, 2008

Exhibit E

	<i>General Fund</i>	<i>Major Streets Fund</i>	<i>Local Streets Fund</i>	<i>Park Improvement Fund</i>	<i>Total Governmental Funds</i>
<i>Revenues</i>					
Property Taxes	\$ 40,155	\$ 443	\$ 1,330	\$ -	\$ 41,928
Licenses & Permits	28	-	-	-	28
State Grants	24,100	25,962	11,209	-	61,271
Charges for Services	2,506	-	-	-	2,506
Interest Earned	41	8	4	-	53
Sale of Fixed Assets	1,500	-	-	-	1,500
Refunds & Reimbursements	49,726	-	-	-	49,726
Contributions	-	-	-	-	-
Miscellaneous Income	2,953	3	-	-	2,956
<i>Total Revenues</i>	<u>121,009</u>	<u>26,416</u>	<u>12,543</u>	<u>-</u>	<u>159,968</u>
<i>Expenditures</i>					
General Government	88,760	-	-	-	88,760
Public Works	9,351	31,669	20,649	-	61,669
Community and Economic Dev.	10	-	-	-	10
Recreation and Culture	-	-	-	6,200	6,200
Other Functions	13,982	-	-	-	13,982
<i>Total Expenditures</i>	<u>112,103</u>	<u>31,669</u>	<u>20,649</u>	<u>6,200</u>	<u>170,621</u>
<i>Excess Revenues Over (Under) Expenditures</i>	8,906	(5,253)	(8,106)	(6,200)	(10,653)
<i>Other Financing Sources (Uses)</i>					
Operating Transfers In	-	4,651	9,758	-	14,409
Operating Transfers (Out)	(14,409)	-	-	-	(14,409)
<i>Total Other Financing Sources (Uses)</i>	<u>(14,409)</u>	<u>4,651</u>	<u>9,758</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues and Other Sources Over (Under)</i>					
 <i>Expenditures and Other Uses</i>	 (5,503)	 (602)	 1,652	 (6,200)	 (10,653)
Fund Balance - Beginning	14,176	4,051	42	8,405	26,674
Fund Balance - Ending	<u>\$ 8,673</u>	<u>\$ 3,449</u>	<u>\$ 1,694</u>	<u>\$ 2,205</u>	<u>\$ 16,021</u>

The Notes to Financial Statements are an integral part of this statement

Village of Copemish

Exhibit F

*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended February 29, 2008*

Change in Fund Balance - Total Governmental Funds (Exhibit E) \$ (10,653)

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Governmental funds do not report capital asset contributions intended for use in governmental activities as a source of revenue. Such transactions are reported as special items on the Government-Wide statement of activities and as special revenue item in the Governmental activities column. 7,216

Governmental funds do not report net gains or losses on depreciated as part of governmental activities. These gains or losses are reported as a special item on the Government-Wide statement of activities. The Village realized a net loss on the disposal of a computer. (255)

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$6,368) is exceeded by depreciation (\$7,497) in the current period. (1,129)

Repayments of debt principal is an expenditure in governmental funds, but not in the statement of activities where it reduce long-term debt 2,548

Change in net assets of governmental activities (Exhibit B) \$ (2,273)

Village of Copemish

Exhibit G

Fiduciary Fund Statement of Net Assets February 29, 2008

	<i>Copemish Heritage Days</i>
Assets	
Cash	\$ 2,422
Due From Others	75
	<hr/>
<i>Total Assets</i>	<i>2,497</i>
	<hr/>
Liabilities	
Due to other Funds	-
	<hr/>
<i>Total Liabilities</i>	<i>-</i>
	<hr/>
Net Assets	
Held for Festival	\$ 2,497
	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this statement

Village of Copemish
Notes to Financial Statements
February 29, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Copemish have been prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Reporting Entity

Village of Copemish is a Common Law Village as defined by the laws of the State of Michigan. An elected Mayor and Village Council govern the Village. The current State Taxable Valuation is \$3,032,566.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Village.

B. Government –Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Village of Copemish
Notes to Financial Statements
February 29, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village collects property taxes between July 1 and September 14. After this time, the taxes become delinquent and must be paid at the County Treasurer's office. The County pays the Village for uncollected taxes from the proceeds of revolving tax notes. Personal property taxes are the responsibility of the Village to collect. Delinquent real property taxes receivable are offset by deferred revenue for all Governmental Fund Types on the Village's balance sheet, as these amounts are not normally received within sixty days of year end, and are therefore not available to finance current operations. Additionally, state-share revenues associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period.

The local unit reports the following major governmental funds:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than debt service and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Special Revenue Funds currently maintained by the Village are Major Streets Fund, Local Streets Fund and the Park Improvement Fund.

Additionally, the government reports the following fund types:

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The Copemish Heritage Days Fund belongs to this fund type.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business type activities.

Village of Copemish
Notes to Financial Statements
February 29, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are changes between the government's water function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets – capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Generally, capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Village officials reviewed its inventory during the current year and in some cases, original costs were estimated. Consequently, beginning balances may differ from prior years.

Depreciation has been provided on these fixed assets using the straight line method over their estimated useful lives. A half year of depreciation is taken in the year of acquisition.

- | | |
|--------------------------------|------------|
| • Computers & Office Equipment | 5 years |
| • Furniture & Fixtures | 7 years |
| • Equipment & Tools | 7-10 years |
| • Land Improvements | 20 years |
| • Roads and Paving | 20 years |
| • Buildings & Improvements | 30 years |
| • Motor Vehicles & Equipment | 5-20 years |

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Village of Copemish
Notes to Financial Statements
February 29, 2008

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The General fund and Special Revenue Fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis and used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Village.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on the activity level as the budget was adopted.

Encumbrance accounting is not used and appropriations normally lapse at year-end.

B. Budget Compliance

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. For the current year, the Village incurred expenditures in excess of the amount appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund: Treasurer	\$ 5,032	\$ 5,199	\$ (167)
General Fund: Hall & Grounds	68,110	69,717	(1,607)
General Fund: Sanitation	1,500	2,034	(534)
General Fund: Street Lights	6,600	7,317	(717)
General Fund: Attorney/Audit	5,000	7,051	(2,051)
General Fund: Transfer Out	-	14,409	(14,409)
Major Streets Fund	25,500	31,169	(6,169)
Local Streets Fund	13,050	20,649	(7,599)

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Michigan Compiled Laws, Section 129.91

This law authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements' bankers' acceptance of the United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Council has designated four banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments as outlined above.

The Local Governmental Unit's deposits and investment policy are in accordance with the statutory authority.

Village of Copemish
Notes to Financial Statements
February 29, 2008

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS - continued

B. Types of Deposits and Investments

At year-end, the Local Unit's cash and cash equivalents are reported in the basic financial statements in the following categories:

	<i>Governmental Activities</i>	<i>Fiduciary Funds</i>	<i>Total Primary Government</i>
Cash and Equivalents	\$ 5,908	\$ 2,422	\$ 8,330
Investments	-	-	-
Restricted Assets	-	-	-
Total	<u>\$ 5,908</u>	<u>\$ 2,422</u>	<u>\$ 8,330</u>

The breakdown between deposits and investments is as follows:

	<i>Primary Government</i>
Time & Demand Deposits	\$ 8,330
Investments	-
Cash on Hand	-
Total	<u>\$ 8,330</u>

The bank balance of the primary government's deposits is \$9,979, all of which is covered by federal depository insurance.

NOTE 4 - SUMMARY OF CAPITAL ASSETS

Capital asset activity of the primary government for the current year is summarized as follows:

Governmental Activities

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 57,500	\$ -	\$ -	\$ 57,500
<i>Capital Assets Being Depreciated</i>				
Buildings & Improvements	33,215	13,016	-	46,231
Computers & Office Equip.	2,678	568	(1,178)	2,068
Furniture & Fixtures	675	-	-	675
Equipment & Tools	25,150	-	(19,500)	5,650
Vehicles	54,883	-	-	54,883
Paving - Streets	15,441	-	-	15,441
	<u>132,042</u>	<u>13,584</u>	<u>(20,678)</u>	<u>124,948</u>

Village of Copemish
Notes to Financial Statements
February 29, 2008

NOTE 4 - SUMMARY OF CAPITAL ASSETS - continued

<i>Accumulated Depreciation</i>				
Buildings & Improvements	(33,215)	(233)	-	(33,448)
Computers & Office Equip.	(2,324)	(155)	922	(1,557)
Furniture & Fixtures	(338)	(96)	-	(434)
Equipment & Tools	(25,150)	-	19,500	(5,650)
Vehicles	(43,689)	(6,241)	-	(49,930)
Paving - Streets	<u>(1,930)</u>	<u>(772)</u>	<u>-</u>	<u>(2,702)</u>
	<u>(106,648)</u>	<u>(7,497)</u>	<u>20,422</u>	<u>(93,721)</u>
<i>Net Capital Assets</i>				
<i>being Depreciated</i>	<u>25,396</u>	<u>6,087</u>	<u>(256)</u>	<u>31,227</u>
<i>Total Capital Assets of</i>				
<i>Governmental Activities –</i>				
<i>Net of Depreciation</i>	<u>\$ 82,896</u>	<u>\$ 6,087</u>	<u>\$ (256)</u>	<u>\$ 88,727</u>

The Village co-owned a building with Cleon Township that housed fire equipment. In November 2007, the Township transferred its ownership interest in the building to the Village. One half of the original estimated cost, approximately \$7,216, was added to the Village's capital asset inventory and is depreciated over 30 years.

Depreciation expense in the current year was charged to programs of the primary government as follows:

<u><i>Governmental Activities</i></u>	
General Government	\$ 484
Public Works	772
Unallocated	<u>6,241</u>
Total Governmental Activities	<u>\$ 7,497</u>

NOTE 5 – INTEFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u><i>Receivable Fund</i></u>	<u><i>Payable Fund</i></u>	<u><i>Amount</i></u>	<u><i>Reason</i></u>
General	Major Streets	\$ 1,958	Wage & Rent Reimb.
General	Local Streets	1,503	Wage & Rent Reimb.
Major Streets	General	105	2005 Taxes
Local Streets	General	<u>315</u>	2005 Taxes
<i>Total</i>		<u>\$ 3,881</u>	
<u><i>Transfers In</i></u>	<u><i>Transfers Out</i></u>		
Major Streets Fund	General Fund	\$ 4,651	
Local Streets Fund		<u>9,758</u>	
<i>Total</i>		<u>\$ 14,409</u>	

Village of Copemish
Notes to Financial Statements
February 29, 2008

NOTE 6 – LONG-TERM DEBT

The following is a summary of debt transactions of the Village for the current year:

	<u>Park Land</u>
Beginning Balance	\$ 6,809
New Borrowing	-
Principle Payments	<u>2,548</u>
Ending Balance	<u>\$ 4,261</u>

On August 27, 2004, the Village entered into an installment loan agreement with Honor State Bank for the purchase of land in the amount of \$12,500. The note requires 60 monthly payments of \$233.79 including interest beginning September 1, 2004. The interest rate is fixed at 4.75% per year.

Future payments under the installment loan for fiscal year ending February 28:

<u>Year</u>	<u>Park Land</u>
2009	\$ 2,805
2010	<u>1,625</u>
Total Payments	4,430
Less: Interest	<u>169</u>
	<u>\$ 4,261</u>

NOTE 7 – RISK MANAGEMENT

The Village pays an annual premium to Michigan Municipal Underwriters for its general insurance coverage through the Michigan Township Participating Plan. The Village carries coverage for property damage, liability, wrongful acts, automobile, crime, and inland marine claims. The Village also carries worker's compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 – DESIGNATED FUND BALANCE

The Village is required, in accordance with ACT-51 funding, to expend an average of 1 percent of ACT-51 funding over a 10 year period on nonmotorized improvements. The Village has not complied with this requirement. Currently, the Village has designated a portion of its funding to comply with the nonmotorized improvement requirement. At year-end, the designated portion of the Major Streets fund balance is \$555.

Village of Copemish
Notes to Financial Statements
February 29, 2008

NOTE 9 – DEFERRED COMPENSATION PLAN

The village offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof of the exclusive benefit of the participant holds the custodial account for the beneficiaries of the Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for the purposed of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provision of GASB Statement 32, plan balances and activities are not reflected in the Village's financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

Village of Copemish
Budgetary Comparison Schedule
General Fund
For the Year Ended February 29, 2008

Schedule 1

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 14,176	\$ 14,176	\$ 14,176	\$ -
<i>Resources (Inflows)</i>				
Property Taxes	38,782	38,782	40,155	1,373
Land Use Permits	45	45	28	(17)
State Shared Revenue	23,000	23,000	22,388	(612)
Metro Act	1,700	1,700	1,712	12
Refuse	8,000	8,000	2,506	(5,494)
Earned Interest	145	145	41	(104)
Wage & Rental Reimbursements	34,000	34,000	49,726	15,726
Other Revenues	5,000	5,000	4,453	(547)
Transfer from Other Funds	-	-	-	-
<i>Total Available for Appropriation</i>	124,848	124,848	135,185	10,337
<i>Charges to Appropriations (Outflows)</i>				
<i>General Government</i>				
Village Council	2,330	2,330	1,809	521
President	5,670	5,670	5,654	16
Elections	300	300	36	264
Clerk	6,012	6,612	6,345	267
Treasurer	5,632	5,032	5,199	(167)
Hall & Grounds	68,110	68,110	69,717	(1,607)
<i>Public Works</i>				
Sanitation	3,000	1,500	2,034	(534)
Street Lights	6,600	6,600	7,317	(717)
Metro Act	1,700	1,700	-	1,700
<i>Community & Economic Development</i>				
Zoning	23	23	10	13
<i>Other Expenditures</i>				
Attorney/Audit	5,000	5,000	7,051	(2,051)
Debt Service	2,805	2,805	2,805	-
Health Insurance	3,450	4,750	4,126	624
Contingencies	-	-	-	-
Transfers to Other Funds	-	-	14,409	(14,409)
<i>Total Charges to Appropriations</i>	110,632	110,432	126,512	(16,080)
<i>Budgetary Fund Balance</i>	<u>\$ 14,216</u>	<u>\$ 14,416</u>	<u>\$ 8,673</u>	<u>\$ (5,743)</u>

Notes to Financial Statements are an integral part of this statement

Village of Copemish
Budgetary Comparison Schedule
Major Streets Fund
For the Year Ended February 29, 2008

Schedule 2

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 4,051	\$ 4,051	\$ 4,051	\$ -
<i>Resources (Inflows)</i>				
Current Property Taxes	429	429	443	14
State Revenue - Act 51	25,000	25,000	25,962	962
Earned Interest	25	25	8	(17)
Miscellaneous	100	100	3	(97)
Transfer from Other Funds	-	-	4,651	4,651
<i>Total Available for Appropriation</i>	29,605	29,605	35,118	5,513
<i>Charges to Appropriations (Outflows)</i>				
Equipment Rent & Wage	23,700	23,700	29,659	(5,959)
Contractual Services	500	500	101	399
Supplies	800	800	1,903	(1,103)
Miscellaneous	200	200	6	194
Rentals	300	300	-	-
Capital Outlay	-	-	-	-
Other Expenditures				
Debt Service	-	-	-	-
Transfers to Other Funds	-	-	-	-
<i>Total Charges to Appropriations</i>	25,500	25,500	31,669	(6,169)
Budgetary Fund Balance	<u>\$ 4,105</u>	<u>\$ 4,105</u>	<u>\$ 3,449</u>	<u>\$ (656)</u>

The Notes to Financial Statements are an integral part of this statement

Village of Copemish
Budgetary Comparison Schedule
Local Streets Fund
For the Year Ended February 29, 2008

Schedule 3

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 42	\$ 42	\$ 42	\$ -
<i>Resources (Inflows)</i>				
Current Property Taxes	1,288	1,288	1,330	42
State Revenue - Act 51	13,000	13,000	11,209	(1,791)
Earned Interest	20	20	4	(16)
Miscellaneous	100	100	-	(100)
Transfer from Other Funds	-	-	9,758	9,758
<i>Total Available for Appropriation</i>	14,450	14,450	22,343	7,893
<i>Charges to Appropriations (Outflows)</i>				
Equipment Rent & Wage	10,300	10,300	20,067	(9,767)
Contractual Services	500	500	-	500
Supplies	1,000	1,000	573	427
Miscellaneous	500	500	9	491
Rentals	750	750	-	750
Capital Outlay	-	-	-	-
Other Expenditures				
Debt Service	-	-	-	-
Transfers to Other Funds	-	-	-	-
<i>Total Charges to Appropriations</i>	13,050	13,050	20,649	(7,599)
Budgetary Fund Balance	<u>\$ 1,400</u>	<u>\$ 1,400</u>	<u>\$ 1,694</u>	<u>\$ 294</u>

The Notes to Financial Statements are an integral part of this statement

Village of Copemish
Budgetary Comparison Schedule
Park Improvement Fund
For the Year Ended February 29, 2008

Schedule 4

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 8,405	\$ 8,405	\$ 8,405	\$ -
<i>Resources (Inflows)</i>				
Grants	10,935	10,935	-	(10,935)
Donations	100	100	-	(100)
Earned Interest	50	50	-	(50)
Miscellaneous	-	-	-	-
Transfer from Other Funds	-	-	-	-
<i>Total Available for Appropriation</i>	19,490	19,490	8,405	(11,085)
<i>Charges to Appropriations (Outflows)</i>				
Supplies & Fees	435	435	400	35
Repairs and Maintenance	7,000	7,000	-	7,000
Constructions	500	500	-	500
Capital Outlay	3,000	3,000	5,800	(2,800)
Transfers to Other Funds	-	-	-	-
<i>Total Charges to Appropriations</i>	10,935	10,935	6,200	4,735
Budgetary Fund Balance	<u>\$ 8,555</u>	<u>\$ 8,555</u>	<u>\$ 2,205</u>	<u>\$ (6,350)</u>

The Notes to Financial Statements are an integral part of this statement

OTHER INFORMATION (UNAUDITED)

Village of Copemish

Comments and Recommendations

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Copemish as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Copemish's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Segregation of Duties

We recognize the Village operates with limited personnel. This limitation may lead directly to a lack of proper segregation of duties and, in many cases, a lack of expertise in financial accounting and reporting regardless of accounting and operational policies.

However, we believe reasonable compensating controls implemented by the Village in accordance with state accounting procedures reduce these potential significant deficiencies to an inconsequential matter and the risk of material misstatement of the financial statement is assessed at a low level.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Inter-Fund Transactions

Upon review of the Village's account balances and general ledger postings, we found numerous inter-fund/cross fund transaction entries. These transactions, partially recorded in different funds, caused those funds to be out of balance. Significant time was required to determine the balancing entries.

Village of Copemish

Comments and Recommendations

During fieldwork, we discussed, with the Clerk, the type of entries that caused the out of balance issues. We reviewed the entries and transactions, diagrammed examples of proper recording in each fund effected, and discussed procedures to mitigate future problems.

The out of balance issues are not systematic of the accounting system. It appears to be a misunderstanding of recording transactions fully in the proper funds. Based on our discussion and review with the clerk, we believe a reasonable understanding was reached. If there are any questions about properly recording a transaction, please contact us.

Monthly and Year-End Reports

We noted the year-end reports provided by the Village did not reconcile with the accounting system account balances. Subsequently, the clerk noted the reports were manually prepared. Additionally, it appears the Treasurer's reports reported actual bank balances and did not state reconciled cash balance that should match those of the clerk's in the general ledger.

Discussions with the Clerk reveled reporting functions available from the accounting system were not used. Subsequently, our staff reviewed, with the clerk, reporting options available in accounting system and demonstrated how to generate those reports for financial review.

Agency Bank Account

The Village maintains an agency relationship with a private organization, the Copemish Festival Days. The Village acts as custodian of the organization's bank account. Any and all bank accounts in the Village's name must be in control of the Treasurer, including agency accounts. In such a capacity, all accounting and recording procedures should be followed and applied the same to the agency account as with other Village bank accounts. Receipts and disbursements should be fully documented and supported with appropriate controls. The account is also subject to requirements of Act 20 PA 1943, as amended. Page 12 of the State's Uniform Accounting Procedures manual begins discussion regarding bank accounts in a local unit's name. Page 67 of the State's Uniform Chart of Accounts discusses different type of agency funds and their requirements.

We suggest the Village properly maintain and account for agency fund transactions as they apply to the Copemish Festival Days agency relationship.

The following are reportable conditions not believed to be significant or material deficiencies.

Payroll Reports

We noted MESC/SUTA reports were not properly completed. Additionally, it appears federal tax payments were not made in full for the fiscal year. Based on our review, there is a \$185 federal payroll tax liability.

During and after fieldwork, we discussed proper completion of the MESC/SUTA reports with the Clerk. We also noted and reviewed payroll reports available in the accounting system that assist the user with completing all payroll reports.

Village of Copemish

Comments and Recommendations

Tax Disbursements

It appears the General Fund still has not disbursed all 2005 winter tax amounts due to the Major and Local Streets Funds. The amounts due to the Major Streets Fund and Local Streets Fund are \$105.09 and \$315.25 respectively and should be disbursed as soon as possible. This is a repeat comment from prior years.

Budgeting

Meeting minutes noted budget amendments however; the minutes did not provide detail. We suggest detailing the amendments to the budgeted activities directly in the meeting minutes. In addition, we suggest the budget worksheet with year to date budget changes and amendments be attached to the meeting minutes.

Currently, the Village budgets total wage and rent, contractual, supplies, rentals and miscellaneous as a whole for both the Major Street and Local Street funds. The Michigan Department of Transportation requires reporting of these amounts in various activities such as: Construction, Preservation Streets (Routine Maintenance), Traffic Services, Winter Maintenance, and Administrative, Engineering, and Record Keeping Costs. We recommend the Village budgets the allocation of wage and rent, contractual, supplies, rentals, and miscellaneous expenditures for the required reporting activities. This will greatly aid the Village with preparing its Act 51 reports and comply with suggested Act 51 procedures. The instructions for preparing Act 51 reports specifically address these issues. We recommend reviewing the instructions before preparing future budgets for both street funds.

Closing Comments

The Clerk has made significant progress in applying proper accounting and recording procedures over the last couple of years. She should be commended for her efforts. It appears the Treasurer's information is more complete and accurate than in the past. Although many of the comments above are significant, we have discussed many of them and related recommendations with the Clerk post fieldwork and feel additional progress is being made.

These comments and recommendations are intended for the information and use of the Village Council and Elected Officials of the Village of Copemish and the Michigan Department of Treasury Local Audit and Finance Division, and are not intended to be and should not be used by anyone other than those specified parties. We will be happy to discuss any of these recommendations with you and assist you in their implementation. We further appreciate the courtesy extended our field auditors in the conduct of this audit engagement.